

**Transcript of Press Conference Call with Senate Budget Committee
Chairman Kent Conrad (D-ND) on New CBO Budget Numbers
August 27, 2001**

I'll just make a brief statement, and then I'd be happy to answer questions that people might have. My first reaction to the Congressional Budget Office numbers today was, so much for the President's promise to only raid Social Security during a recession. It is now clear that he will be raiding the Social Security and Medicare trust funds even when he is forecasting strong economic growth and doing it by a large amount. His attempts to cast this as just a modest dipping into the trust funds doesn't stand up to scrutiny.

The numbers from the Congressional Budget Office show that he will be invading the trust funds of Social Security and Medicare by over \$200 billion over the next five years. And that is before his defense buildup, which is another several hundred billion dollars, before any new money for education, which he says is his top priority, before fixing the Alternative Minimum Tax problem created by his tax bill, and before money for natural disasters and many other things that have just been left out.

So the President has created a very serious problem for the country, a very serious fiscal problem, and it is going to have consequences. I said to one person today, he's cooked a stew that's going to be very hard for all of us to choke down. And this has real consequences. Unlike his promises during the campaign when he said you can have it all. He said you can have massive tax cut, big defense buildup, more money for education, maximum pay down of the debt and protect Social Security and Medicare. Well he was wrong, and he was wrong by a large amount.

This also, I think, gives lie to the ads being run by the Republican National Committee that tries to blame this all on Democrats. I think it is important to remember here that this is a Republican-passed spending plan, coupled with the President's tax cut plan, coupled with an economic slowdown. Those are the causes of the deterioration of our budget situation. The Democrats have not added a single dime to the Republican spending plan in the appropriations bills passed so far. So trying to lay this off on Democrats is false, and I don't believe they will be successful. Because facts are stubborn things, as another President said. Actually two other President's have said, because I've just learned that John Adams was the original one to say that.

Q: (summary) Is there anything that can be done about 2001 and the possibility of dipping into the Social Security surplus in that year ... And what does this say about what needs to be done in the 2002 appropriations bills?

Conrad: I think 2002 has got to be our greatest concern. That is the budget year that we are working on now, and looking ahead, 2003, 2004, 2005. And the President's forecasting strong economic growth for all those years, yet we see that his budget plan will be using hundreds of

billions of dollars of trust fund money during that period when you include his defense request. So I think we've got to be looking ahead. Perhaps something could be done on 2001, but I don't think that should be our focus. Our greatest concern should be the future. As I say, the most troubling thing to me is that the President is violating his promise, even when he is forecasting strong economic growth.

Q: So what do you recommend be done with the 2002 appropriations bills?

Conrad: I wrote the President in June, and I predicted this was going to happen, and I said, look, you've got to be thinking about how you're gonna pay for the defense increase you want. Because otherwise it is gonna come straight out of Social Security. And that is exactly what we're gonna see now. His \$18 billion request for additional funding for defense, according to CBO's numbers, will come almost entirely out of the Social Security Trust Fund. And I believe that is a serious mistake. I think he's got to go back to the drawing boards. This is his plan. It's passed. He's got to go back to the drawing boards and tell us how he'd change it.

Q: Are you advocating any scaling back of the tax cut, because that is one of the components that costs us money and causes the budget picture to be the way it is?

Conrad: I think the first obligation here is clearly the President's. His budget plan was adopted. We warned about it repeatedly. We advocated a different plan. But his was adopted, so he's got a responsibility to come forward with a new one.

Q: What do you think he ought to do?

Conrad: The first thing that has to be done, is that he's got to find a way to pay for the additional funds he wants for defense. You know, we've not added any money beyond what was in the Republican-crafted budget resolution to any of the appropriations bills. Not a dime has been added. So he's the one who wants a big increase in an area over the budget. I think he has an obligation to tell us how he'd pay for it.

Q: (summary) Looking at the CBO numbers, it looks like, over the next decade, mandatory spending will increase as a percentage of GDP, and revenue will remain relatively constant as a percentage of GDP. Just looking at where the money is, should we look at mandatory spending to save money to make the budget outlook better. Is that likely?

Conrad: Actually, total spending is going to decline as a percentage of GDP quite substantially under this budget plan. And that was true under my budget plan as well. You may recall, we were going to go from 18 percent of GDP, down to 16.4 under my budget plan. This one goes even further than that. Look, everything has got to be under consideration when you have a problem as big as the one the President has created. Because not only do you have \$200 billion of Medicare and Social Security Trust Fund money being used over the next five years, but that's before his money for defense, that's before any fix for the Alternative Minimum Tax, that's

before any new money for education, that's before the popular expiring tax provisions are extended, on and on it goes. The President's dug a mighty deep hole here.

Q: (summary) On the revenue side, if revenue's are constant, it seems like the tax cut doesn't matter?

Conrad: I advocated a smaller tax cut. I advocated one about half as big, because it was clear to me that the one the President was advocating was not affordable.

Q: (summary) What did CBO say growth will be compared to the rosier scenario of OMB?

Conrad: 2.6 for next year, compared to 3.2 for the Administration.

Q: How does that compare to subsequent years?

Conrad: I don't have subsequent years in front of me. They are projecting strong economic growth in all of the years, starting next year.

Q: How much extra surplus does that create?

Conrad: I don't recall what the difference is for next year. It seems to me it was in the range of \$40 billion. I may be talking about 2001. I'd be glad to get back to you on that.

Q: The big difference between CBO and OMB is attributable mostly to the change in forecast of growth, or is it attributable to other factors?

Conrad: For 2001, the biggest change was the tax cut, \$74 billion. Going forward, it is the combination of the tax cut, and a weakening of the economy. Both of them are significant.

Q: Do you think that anything needs to be done in 2001 in the short remaining time there is left?

Conrad: I would strongly prefer that we not use Social Security Trust Fund money in any year. Or Medicare Trust Fund money. But, you know, here we are, we've only got a month left in this year. So I don't think there is much chance to significantly alter the outcome for this year. And I think we should keep in mind that's during a time of economic slowdown. What I think is a much bigger concern is that the President's budget is using hundreds of billions of dollars of trust fund money for other purposes when he's forecasting strong economic growth. That to me is a much larger concern and something that is going to create a significant problem for the country going forward.

Q: (summary) What do you see happening in the way the '02 appropriations bills will play out in the Senate, and what role do you see for yourself as Chairman of the Budget Committee, given the powers the budget resolution gives you?

Conrad: Well I've said all along that I will enforce this budget, although I didn't have any part in writing it, and didn't agree with it. I feel I have an obligation to enforce it, or this whole situation will get even worse. And I take that very seriously. I intend to live by my responsibility to enforce this budget resolution. And all the decisions I have made in terms of scoring and all the rest I've been true to that commitment. I think the first major problem we face is the President's request for \$18 billion more for defense, which will come right out of Social Security for 2002, unless some change is made. I wrote him back in June, and I said to him I thought this was going to happen, and I urged him to think about how to pay for it.